



# **GRETSA UNIVERSITY - THIKA**

## **UNIVERSITY EXAMINATIONS MAY - AUGUST 2023 SEMESTER**

### **DIPLOMA IN CREDIT MANAGEMENT**

**COURSE CODE: DBCM 010**

**COURSE TITLE: CREDIT MANAGEMENT 1**

**DATE: 6 AUGUST 2023**

**TIME: 8.00 AM - 11.00 AM**

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#### **INSTRUCTIONS TO CANDIDATES**

1. SECTION A IS **COMPULSORY**.
2. SECTION B: ANSWER ANY OTHER **THREE** QUESTIONS.
3. **DO NOT** WRITE ANYTHING ON THIS QUESTION PAPER AS IT WILL BE AN EXAM IRREGULARITY.
4. ALL ROUGH WORK SHOULD BE AT THE BACK OF YOUR ANSWER BOOKLET AND CROSSED OUT.

**CAUTION:** *All exam rooms are under CCTV surveillance during the examination period.*

## SECTION A: COMPULSORY

### Question One

- a) Kamau has been appointed as a credit Management officer at the Amica Sacco. He is expected to analyse the services the micro-finance is expected to offer as well exercise the assessment of debtors asset. Kamau suggests to the firm the need to set up an ICT department which is fully funded and well established. The ICT works hand in hand with other departments. Explain the external service he would be expected to address. .  
[10 marks]
- b) Information technology is very essential in management of credit within Amica Sacco. Explain clearly the importance of the ICT department and role it plays in an organization.  
[10 Marks]
- c) Explain to the junior employees the risks that they are likely to face Amica Sacco. Explain ways of handling those risks.  
[10 Marks]
- d) Show the roles that Kamau is expected to play in Amica Sacco  
[10 Marks]

## SECTION B: ANSWER ANY THREE QUESTIONS

### Question Two

- a) Explain clearly the various effects of credit on the following areas.
- i. Liquidity of firm [4 Marks]
  - ii. Profits [4 Marks]
  - iii. Cashflow [4 Marks]
- b) Explain the various ways debtors may be measured in a firm. Where necessary include examples.  
[8 Marks]

a)

### **Question three**

- a) Every firm intending to issue credit must have policy Explain the policies that a firm should follow for proper credit management. **[10 Marks]**
- b) Debtors are very important asset in an entity. However a firm must have limit of the debtors it would like to maintain. Since exceeding the set limit would jeopardize the firm liquidity position. Explain the factors affecting the level of investment in debtors

**[10 Marks]**

### **Question Four**

- a) For many years, credit control or credit management was regarded in many firms as simply collecting debts. The less well informed may still hold this view, but in recent years the role of credit management has become significantly more extensive. Although collection of funds remains one of the most important parts of the credit function, it is only a part. Explain the role of credit management department in an organization. **[10 marks]**
- b) Discuss the indicators that a firm is facing poor credit management issues. **[10 marks]**

### **Question five**

- a) There are a number of ways in which customers can make payment for supplies. Technological advances, coupled with changes in working practices, have dictated much of the progression over the years from one form of payment to another, but what remains is the fundamental purpose of transferring funds from buyer to seller. Explain the methods of making payments for a business involved in export and import of goods **[10 marks]**
- b) Discuss various ratios used to measure liquidity of a firm. **[10 marks]**